Browsing is encouraged at Douglas Drugs

Greeting cards sport an airy, upscale presentation at Douglas Drugs, Rhode Island. Carpeted floors, glass étagères and well-delineated product segments make browsing easy. Many Douglas stores have gift departments and gift wrap service available.

When Ambassador promises service, we don't mean just 9 to 5 and never on Sundays.

We could tell you about the time Gail Leslie gave up her weekend to install a new card department.

Or the time George Collins drove more than 200 miles to *personally* deliver a display that was needed immediately—if not sooner.

Or we could brag about our electronic order transmission that works 24 hours a day, so you never run low on best sellers, even on weekends or holidays.

But the main thing to remember is this. Ambassador is a *Hallmark* Company, with the biggest collection of dedicated, thoroughly trained people in our field. All of them on tap to solve *your* problems.

From planners who'll customize *each* of your stores' Greeting Card Departments so that every square inch pulls its weight.

To our computer whizzes with their comprehensive packages specially designed to maximize sales, reduce out-of-stocks and minimize your inventory investment.

If you're already a customer, you know how hard we work to keep you ahead of the game. If not, call us: 816-274-4562. Ask for Pat Cullinan, V.P., New Business. And—reverse the charges.

Our equipment and programs are state of the art. But when it comes to personal service, we believe in the old-fashioned ways.

Ambassador

Working harder to make it easier for you.

A Hallmark Company

Touch Tone ☎ Code #10392

Ethnic cards

Continued from page 22

and there's a laundromat here. People congregate here, and we depend on that for traffic.

Yet Blake sometimes does mention greeting cards when he does advertise, and he has used the Rousana name in his ads.

"We give Rousana a free hand to organize the department and suggest what we should stock," he says, "and I think they are one of the reasons it is taking off so well."

Blake estimates that he's currently giving about 25 percent of his overall greeting card department space to ethnic cards, and ethnic cards are generating about the same proportion of sales.

"We're glad we tried it," he says, "and if there's more demand, we'll expand the assortment.

"We're making a statement to our customers with that line. We're saying, 'We want your business and we appreciate your business, and we want you to know that we're here to serve you'," he concluded.

When people buy greeting cards

(units in millions, 1987)

Occasion	Number of cards
Christmas	2,200
Valentine's Day	1,000
Easter	185
Mother's Day	145
Father's Day	90
Graduation	85
Thanksgiving	40
Halloween	28
St. Patrick's Day	16
Jewish New Year	12
Chanukah	11
New Year's	10
Grandparents' Day	4+
Other seasons	8
Everyday cards	1,700
Total	7,100

Source: Greeting Card Association

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Point-and-shoots pace camera sales — Page 10

Vons' Pavilion gets cosmetics revamp — Page 8

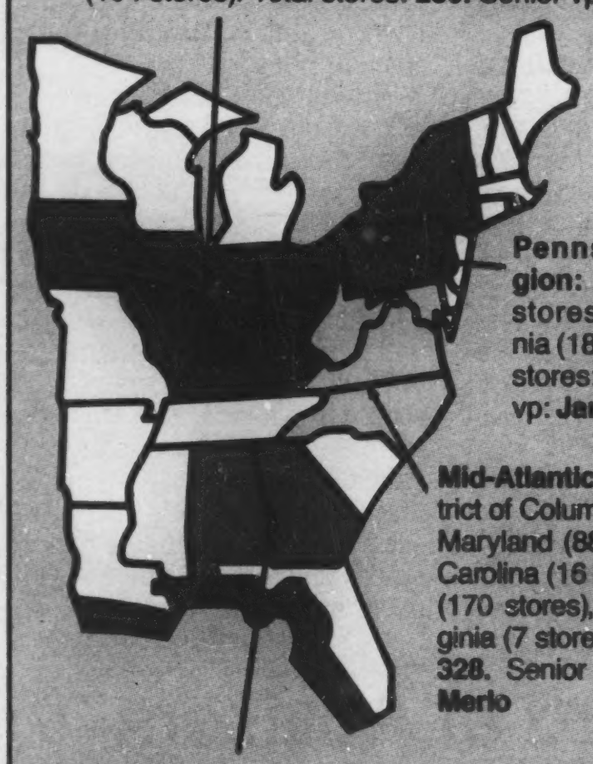
AC
00287033C
JEANNE LONG
CONGRESSIONAL INFORMATIO IF4
4520 EAST-WEST HIGHWAY/#800
BETHESDA MD 20814
DR

DRUG STORE NEWS

Vol. 10/No. 5 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Feb. 29, 1988

Peoples' drive towards regionalization

Midwest Region: Illinois (17 stores), Indiana (86 stores), Iowa (19 stores), Kentucky (4 stores), and Ohio (104 stores). Total stores: **230.** Senior vp: **Mark Miller**



Pennsylvania Region: New York (2 stores), Pennsylvania (184 stores). Total stores: **186.** Senior vp: **James Johnston**

Mid-Atlantic Region: District of Columbia (47 stores), Maryland (88 stores), North Carolina (16 stores), Virginia (170 stores), and West Virginia (7 stores). Total stores: **328.** Senior vp: **Lawrence Merlo**

Southeast Region: Alabama (4 stores), Georgia (71 stores). Total stores: **75.** Senior vp: **John Crisafulli**

Source: Company reports

New era begins at Peoples; broad repositioning in store

ALEXANDRIA, Va. — After more than a year of reorganization, Peoples Drug Stores is raising the curtain on what its management hopes will be a long-running hit show.

The 819-store chain, plagued by operating difficulties and losses in 1986, made a major effort last year to recast its marketing strategy and restructure its management and operating systems.

Peoples' new marketing thrust will center on customer convenience and service, a new lower price image, better in-stock positions, clean and uncluttered stores, and a product mix emphasizing the core drug store categories of pharmacy/OTC, cosmetics and H&BA.

Peoples has adopted a new slogan to sum up what it hopes will be its new image with consumers: "The convenience you want—The savings you deserve."

The changes are the result of consumer research carried out in the first part of 1987, which showed that what drug store customers wanted most was convenient shopping, including shorter checkout lines, easier-to-find merchandise, a better in-stock performance and friendlier service. The research also found that consumers considered Peoples to be a high-priced store.

Format centers on core items

By Elizabeth Parks

ALEXANDRIA, Va. — Peoples Drug's major remodeling program will reaffirm the chain's posture as specialists offering value in the core pharmacy, cosmetics and H&BA categories.

Peoples plans to remodel as many as 250 stores in 1988 and an equal amount in 1989, ceo David Bloom said. Bloom says the remodeling will continue until Peoples has upgraded the majority of its 800 stores, a process that will probably end by 1991.

Bloom added that Imasco, Peoples' parent,

See **Remodeling,** *page 85*

The centerpiece of the marketing changes will be Peoples' new prototype stores called "Boss" [for "the customer is boss."] Peoples hopes to re-

See **Peoples,** *page 85*

Cullum grows Page Drug, chain hits downtown Big D

Freestanders provide focus for health care

By Bruce Buckley

DALLAS — Page Drug opened its first downtown store here earlier this month, as part of parent Cullum Company's new willingness to expand the number of freestanding drug stores under the Page banner.

The 7,000-square-foot downtown store, located in the high-rise First Republic Bank building, opened to what store director Al Rubin called "terrific" opening week traffic.

Rubin said the customer count has been running about 2,000 a day and prescriptions have reached nearly 100 a day. The script count is surprisingly large for a new downtown store, even considering that Page bought out the prescription files of a small independent located in the same building. Rubin said about 50 percent of the prescriptions are new.

Cullum's decision to take a fresh look at the freestanding drug store market after years of almost total emphasis on its Tom Thumb Page food/drug combination stores was a recognition of the special health care niche that drug stores can fill in a market, according to

See **Page,** *page 85*

Farmer, Wolken struggle for Begley employees' shares

By Al Heller

LEXINGTON, Ky. — As intense as steely eyed poker players in a smoke-filled room, Begley chairman Tracy Farmer and SupeRx president Gerald Wolken are waging a long-distance high-stakes battle for custody of Begley shares currently owned by employees of the chain.

Bob Begley

The 158,000 shares they control (of 665,000 outstanding) will largely determine the success or failure of SupeRx's $18.50 per share tender offer. The offer from SupeRx subsidiary S & B Acquisition Corp. was due

See **High stakes,** *page 85*

Ziegler takes charge in NACDS shuffle

First in a two-part series

ALEXANDRIA, Va. — The sudden resignations of two key executives of the National Association of Chain Drug Stores signals a shift in direction and scope for the organization as new

See **NACDS,** *page 85*

LATE NEWS

- ROME, N. Y. — Revco Drugs said it is looking for new buyers for the 45-store Carl's Drug chain, signalling the proposed LBO by Carl's management may be foundering. "We are remarketing Carl's, and once again soliciting bids," said a Revco spokesperson. Buyout leader Tod Bogan responded: "We are still very actively negotiating with Revco."
- CLARK, N. J — Ketchum, Inc., which sold a controlling interest to Office Commerical Pharmaceutique, Europe's largest drug wholesaler, moved its headquarters from Norwalk, Conn., to a more central location here. The wholesaler also said it is setting up a new sales and marketing division.
- BOSTON — Stop & Shop said it is weighing alternatives to Dart Group's sweetened $37-a-share takeover offer, including a possible "white knight" takeover. Stop & Shop's board rejected Dart's latest offer Feb. 11, but Dart and a number of Stop & Shop shareholders have sued to overturn the company's antitakeover provisions.

Drug stocks enjoy early '88 rally; buybacks seen to help earnings

By David Vaczek

NEW YORK — Drug retailer and wholesaler stock prices have rallied so far this year, after slumping in the last months of 1987, according to the *Drug Store News* industry stock indexes.

Several companies said, meanwhile, that stock repurchase programs launched when stock prices nosedived Oct. 19 should help their per-share earnings.

Drug industry stocks climbed with the Dow Jones Industrial Average, which had bottomed out Oct. 19. The DJIA grew 13 percent from Oct. 19 and Feb. 11.

Drug Store News' stock tables appear on page 86

Drug chains tracked by the *Drug Store News* Drug Chain Stock Index were 10 percent higher on Feb. 11 than Oct. 19. Wholesale stocks were virtually unchanged, with a small 0.1 percent net growth.

Though the drug industry increase from Oct. 19 was less than the DJIA's, drug chain and wholesale stocks have recovered more of their value than has the DJIA from the high prices of summer.

As of Feb. 11, the DJIA was down 28 percent from its peak day of Aug. 25, drug wholesale stocks were down 26 percent, and drug chains were down 20 percent.

Selling prices of drug firm stocks rallied in January and

Continued on page 86

NEWS IN BRIEF

Cerra and Thompson promoted at Thrift

PITTSBURGH — Thrift Drug has filled two top spots. Enzo Cerra, formerly a regional vp, has been named senior vp-merchandise and distribution. Cerra, who joined Thrift as a pharmacist in 1973, was also named to Thrift's Executive Committee.

Gerald Thompson was named vp for Thrift's Southern region. The former regional operations manager will also serve on the chain's management council.

Thompson, a pharmacist, joined Thrift in 1972 as a graduate intern.

Pacific Lighting now Pacific Enterprises

LOS ANGELES — Thrifty Drug Stores' parent company Pacific Lighting has changed its name to Pacific Enterprises to better convey the company's diverse businesses. Although initially involved in utility lighting, the company has since left this field, and is now involved in a myriad of industries, including retailing, energy exploration and natural gas distribution.

AHBAI holds conference June 26-30

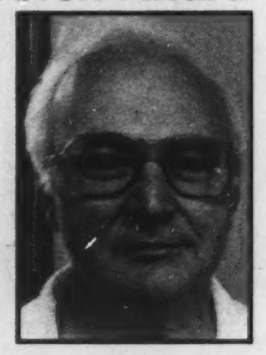
DALLAS — The American Health and Beauty Aids Institute (AHBAI) will sponsor its sixth annual mid—year business conference, June 26 through 30, at the Four Seasons Hotel and Resort here.

Conference theme is "The Changing Ethnic HBA Category: Strategies for Prosperity." Program includes panels, presentations and workshops. Trends and forecasts will be discussed, as well as shelf space allocation, merchandising the new ethnic H&BA category, and the importance of the black consumer.

Registration is open to AHBAI manufacturer and associate members, trade and consumer publications, retailers, distributors and other key executives allied with the ethnic H&BA industry.

To register, contact American Health and Beauty Aids Institute, 111 E. Wacker Drive, Suite 600, Chicago, Ill., (312) 644-6610.

Wilber to be honored with Torch Award



NEW YORK — Philip Wilber, founder, president and ceo of Drug Emporium, has been named to receive The Torch of Learning Award, pharmaceutical division, from the Friends of the Hebrew University.

The 13th annual award recognizes Wilber's service within the drug industry, and in the community, as well his professional leadership in building the Drug Emporium deep discount store chain.

Presented last year to former NACDS president Robert Bolger, the award will be made May 16 at a dinner at the New York Marriott Marquis. The event will be chaired by David Eisenberg, senior executive vp and chief operations officer, Peoples Drug.

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Vol. 10, No. 5 Feb. 29, 1988

Publix(left) and Eckerd(right) are engaged in a one-hour photofinishing war; customer traffic is the prize.

Eckerd, Publix squabbling over photofinishing market

By James Frederick

CLEARWATER, Fla. — For the first time in their respective histories, the romance between Eckerd Drug Co. and Publix Super Markets is cooling over growing competition for the same retail dollar. At stake are not only food and pharmacy dollars, but Florida's growing photofinishing business.

The two chains had developed a close working relationship as shopping center partners during Florida's boom over the last two decades, often with Publix as landlord-developer and Eckerd as tenant. Their relationship was marked by restraint and a clear definition of what constituted their areas of merchandising.

Now, those ties are being strained as each chain encroaches on the other's turf with new ventures like one-hour photofinishing and a generally broader approach to retailing. Their changing relationship mirrors the shifting retail climate throughout the U. S., as demands for one-stop shopping and other conveniences intensifies competition, eroding the barriers between different classes of trade.

Merchandising Spotlight

In Florida, the relationship between Eckerd and Publix began to erode several years ago. Eckerd began offering some convenience foods and beverages in many of its stores, and Publix stopped building conventional food stores in favor of superstores, which feature a larger mix of H&BA, cosmetics, greeting cards and automotive supplies.

Publix took off its gloves in earnest in 1986, unveiling its new food/drug combo prototype, called Publix Food and Drug. The 334-store supermarket chain has since opened 12 superstores with pharmacies in Florida, and this year will unveil perhaps a dozen more.

"Last year we opened 29 stores in Florida, and this year we hope to at least equal that," said Clayton Hollis, a spokesman for the nation's 10th largest supermarket chain. "Those stores will feature a blend of superstores and combo stores

Continued on page 9

Fantle joins *DrSN* Board of Advisers

Fantle

LANDOVER, Md. — Jeffrey Fantle, president of the 85-unit Dart Drug Stores chain, has joined the *Drug Store News* Board of Advisers.

Like his co-board members, Fantle will help enhance the overall quality of *Drug Store News'* reporting by helping its editorial and management staffs identify key trends within the retail drug industry.

Fantle joined his father, Sheldon "Bud" Fantle, and an investor group in assuming control of financially troubled Dart in recent months. They quickly established a new top management team, and have set plans in motion to fortify the chain's image with its varied publics.

The younger Fantle served 16 years at Peoples Drug Stores, ending his tenure there with a one year stint as executive vp of store operations. Prior to holding that post, he was president of the Lane division in Cleveland for four years.

After Fantle resigned from Peoples last June, he joined his father, former Peoples chairman, in the Fantle Enterprises startup which is now at the helm of Dart.

Sixty years of drug store retailing

The following items are taken verbatim from the pages of Chain Store Age Drug Edition, *which became* Drug Store News *in 1979.*

60 years ago

CHICAGO, 1928 — A giant all metal Sikorsky amphibian airplane, capable of landing or taking—off on land or water, has just been delivered to the Municipal Air Port in Chicago for Charles W. Walgreen. This magnificent plane, a veritable flying yacht, was built for the Walgreen Co. by the Sikorsky Manufacturing Corporation on Long Island at a cost of more than $54,000.

50 years ago

BINGHAMTON, N. Y., 1938 — Rubber goods were promoted by a novel stunt at the Hewitt drug stores, Binghamton, N. Y. Since the feature of the drive was a moderately-priced hot water bottle, each salesman wore on his lapel a toy hot water bottle. Lettered on the bottle were the words, "Ask the clerk."

40 years ago

LOS ANGELES, Calif., 1948 — A photostat making service is being featured at photographic departments of Thrifty Drug units in Los Angeles. Counter signs advertise the service and suggest items which the customer might want to have photostated—various types of valuable papers and documents.

30 years ago

INDIANAPOLIS, 1958 — Involved in a price war in Indianapolis, Haag Drug recently advertised some 245 popular items at below list with this headline: "Haag's everyday new low prices."

20 years ago

CLEVELAND, 1968 — An award marking the milestone of 40 million prescriptions filled by Gray Drug Stores of Cleveland, was presented to Gray founder Adolph Weinberger by J. Harris Fleming, trade relations director for Pfizer Laboratories. The presentation was made at the chain's 40th anniversary banquet.

10 years ago

MINNESOTA, 1978 — During the mid-Januray blizzard, Hook Drug flew employees to work by helicopter. In Saline, Minn., an Arbor Drug pharmacist rode in on his snowmobile. Stories such as these were commonplace in the Midwest as the worst storm in 30 years hit. However, drug chains throughout the region responded quickly to the crisis, in some cases braving the weather to make life-saving emergency deliveries of medicine.

TRENDS

One-hour labs take photofinishing market lead

Drug stores have been knocked from their position of market leadership, but business is still healthy, thanks to the point-and-shoot camera

One-hour mini-labs are making such major gains in the photofinishing business that over the past year they knocked drug stores off their long-time perch as the nation's leader in film processing.

The total market for photofinishing services again scored healthy increases last year, with sales up 9 percent to $4.36 billion, according to the Photo Marketing Association (PMA). In 1987 as in 1986, the growth in business was fueled by the booming popularity of a new generation of low-cost, easy-to-use point-and-shoot 35mm cameras, which have transformed the amateur photography market, boosted picture-taking and rejuvenated the photo processing business.

More and more, the new business goes to the one-hour labs. Almost overnight, the mini-lab format has taken hold in virtually every U. S. market. Installations have grown to nearly 15,000 nationwide at the end of 1987, compared with 11,900 in 1986, PMA said.

The one-hour labs now process a market-leading 29 percent of all film rolls, up from 23.7 percent a year earlier. That growth in share has come at the expense of drug stores, supermarkets and drop-off kiosks, each of which lost about two share points in unit volume last year. Drug stores account for 24 percent of the processing business in the U. S., compared with 26 percent in 1986.

The boom in one-hour photofinishing is strongly rooted in demographic shifts and technological innovations. Also, the rise of dual-income families has made convenience and time savings an even bigger concern than price for many picture-takers. At the same time, a new generation of serious amateur photographers has emerged, and mini-labs have been quick to recognize their needs.

Moreover, the development of highly automated, high-quality processing machines, including new "washless" developers and printers which require no special plumbing, has put the installation and operation of one-hour labs within reach of almost any business. Noritsu, Copal, Fuji and Kodak are among manufacturers who have introduced easy-to-use, compact mini-labs for in-store turnkey operations.

Drug store photofinishing market share dropped to 24 percent last year. Above is an H.E. Butt counter in San Antonio.

"The rise of mini-labs is due to a combination of things, including convenience, a new level of quality perception on the part of amateur photographers, a lowering of costs and other factors," said Ted Fox, editor of the PMA's *Industry Trends Report*. "A lot of the labs are specialists who cater to the quality concerns and egos of their customers."

For many chains, the one-hour trend is worrisome, despite the overall growth in business. "We've got one-hour labs springing up all over the place, and it's very competitive," noted one chain executive.

"The independents are going to get killed in this market unless they're smart and market their services aggressively," added the photo manager for a Midwest chain. "They're going to need 2,000 regular customers to survive. It's hard, but that's the name of the game."

A few drug and supermarket chains have responded to a shifting market by opening their own mini-labs. Among them are Eckerd Drug, which already has several dozen Eckerd Express centers on-line in Florida stores; Walgreens, Fred Meyer, Ralph's and Meijer/Thrifty Acres.

Others, including Longs Drug Stores and Raley's Food and Drug Centers, are considering the business. "We're still very interested and we're still reviewing the concept," explained Longs photo merchandiser Mark Holz. "We look at it as just another convenience for the consumer.

"We did a couple of tests (of one-hour in-store labs) a few years ago in Redwood City, and they weren't successful for a variety of reasons," Holz continued. "Now, the technology and concept has changed enough that those reasons would no longer keep us out of the business. Besides, certain expectations were put on the earlier labs that weren't realistic, including the fact that they were originally intended for processing work for surrounding stores as well as their own. We found that wouldn't work," he said.

Most drug chains, however, are still holding back on a commitment to in-store labs, despite the breakthroughs in equipment technology and increasing consumer acceptance. Besides the expense involved, the centers demand precious retail space and trained staffers. Thus, even chains which moved early into one-hour photofinishing have moved cautiously.

"It isn't easy for us to go in and open these labs in our stores," said one chain drug photofinishing manager. "The machines are smaller than ever, but we have a problem finding space for a full setup. We're not jumping on it yet, because there's still a lot to be decided in terms of how profitable or worthwhile they'd be on a big scale."

Many chain photo managers echo that cautious approach. Walgreens, for instance, has kept its one-hour operations confined to a single location in Chicago and another in Puerto Rico for several years while it assesses the feasibility of a broader approach. Other major chains, including Rite Aid and Osco, have avoided the mini-lab concept entirely.

"We're not in the business at this time, and probably never will be," Rite Aid executive vp Martin Grass told *Drug*

Continued on page 10

Photofinishing market share by outlet
(In percent)

	1986	1987*
Mini labs	23.7%	29%
Drug stores	26.0	24
Discounters	16.7	17
Supermarkets	13.0	11
Mail order	9.0	9
Specialty stores	7.5	8
Kiosks & other	4.1	2

*Note: 1987 share figures are preliminary estimates
Source: Photo Marketing Assoc.

Will consolidation lower wholesale prices?

The rapid consolidation of the wholesale photofinishing industry may lead to lower rather than higher film developing prices for retailers which depend on outside finishing labs, an industry expert told *Drug Store News*.

"I predict a gradual lowering of wholesale prices, but it will take time before all the elements are in place for that to happen," said Ted Fox, editor of the Photo Marketing Association's *Industry Trends Report*.

Fox says new breakthroughs in wholesale automation are the key to lower prices in the future. "Wholesale processing is going to become even more automated than it is now, thanks to the efforts of Fox Photo [recently acquired by Kodak] and others," he said. "The new automated equipment may lower labor costs as much as 60 percent."

Another mitigating factor in wholesale pricing is the increasingly dominant role being played by Kodak, which has led an industry-wide consolidation with several key acquisitions to become the leading player in photofinishing. Kodak, said one industry expert, is more interested in maintaining its key retailer relationships than in squeezing extra profits from its wholesale developing operations.

"For Kodak, it's a matter of prioritizing," said the analyst. "Kodak's number-one goal in wholesale development, as in other ventures, is in how those efforts relate to their film sales. Their whole photofinishing effort is oriented toward maintaining and boosting their film business."

Kodak launched a joint venture last December with Fuqua Industries, the owner of Colorcraft, to form the largest force in wholesale film processing. Together, the two firms now account for almost 70 percent of all wholesale developing business and at least 25 percent of total U. S. photoprocessing activity, according to the PMA's Fox.

Eckerd-Publix foto finished?

Continued from page 2

with pharmacies."

In the latest round of competition, the two chains are locked in a battle for the one-hour photofinishing market. Eckerd has moved rapidly in Florida to get a jump on the one-hour business, doubling the number of in-store one-hour developing labs in its Florida stores in less than a year, and unveiling an extensive advertising program to promote the service, featuring actor Robert Lansing as company spokesman. The chain already has 62 one-hour labs operating in its home state, according to a spokesperson.

Publix has responded with its own aggressive salvo in the photofinishing war. Since early 1987, the supermarket chain has opened at least 15 one-hour mini-labs in its stores, including one which shares shopping center space with an Eckerd one-hour center. The results have been hefty sales increases, said Hollis, and many more will follow.

"We're going to continue increasing the one-hour labs in size and numbers," he said. "We're trying to open them wherever we open a new food-and-pharmacy location, and we've added cameras, watches and video rental to the service counters as a customer convenience."

To date, both chains have found success with the one-hour concept, including increased traffic and higher photofinishing sales. Just how closely the two retailers can coexist in the future, however, remains in doubt.

"It is competition," admitted Hollis. "In the area of one-hour photofinishing, we're both after the same customer."